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SUBJECT: BRAZIL: LOOSE TALK ABOUT BNDES CREDIT FOR CUBA

REF: BRASILIA 2994

1. (U) Some local media late last week reported that President Lula's upcoming call on Castro in Havana would feature the announcement of a USD 400 million line of credit from BNDES, Brazil's national development bank. Though loosely headlined as GoB "aid," the money in question by all appearances would merely consist of financing for Brazilian exports of goods and services to Cuba.

2. (U) Saturday's 'Estado do Sao Paulo' carried a dismissive reaction from BNDES chief Carlos Lessa, denying knowledge of any plan for BNDES to extend such credit to Cuba. Perhaps lending Lessa's statement extra credence is the fact that he has a long leftist ideological pedigree. After citing Lessa's rebuttal, 'Estado' recounted other, unidentified sources' explanation that the \$400 million initiative was merely in the process of being proposed or explored by Brazil's Foreign Ministry in the run-up to Lula's visit.

3. (SBU) Lula's GoB has formed the habit of demonstratively committing BNDES to large volumes of new financing earmarks at his various LatAm summits: a billion dollars each to Argentina and Venezuela alone, plus lesser amounts for Bolivia and Peru, already this year. While making a recent unrelated demarche (Reftel), we were told by a senior Finance Ministry official -- who remains technically a BNDES employee even after spending his last professional decade elsewhere in GoB Ministries and at the World Bank -- in effect not to take these declarations seriously. BNDES's institutional charter, means, and domestic priorities alike all stand in the way, this official volunteered.

4. (U) Even if ultimately committed, the BNDES funds would have little visible use in Cuba's case. Brazil's exports to Cuba were just USD 120 million in 2001 and fell to USD 95 million in 2002. Main export items are chicken, shoes and agricultural machinery. There are apparently aspirations for new sales of spare parts for buses and trucks; a Brazilian company called Busscar, based in Brazil's Santa Catarina state, has been co-producing buses for sale in Cuba and Central American countries for the past four years, according to business daily 'Valor Economico.' Brazil's annual purchases from Cuba have hovered in the ten-million-dollar range.

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